

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 116 - SB 155

March 15, 2015

SUMMARY OF BILL: Requires the Basic Education Program (BEP) funding formula to provide funding for twelve months of local education agency employees' insurance premiums.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$43,254,000/BEP

Increase Local Revenue - \$43,254,000/BEP Funding

Increase Local Expenditures - \$121,600/Local BEP Match

Other Fiscal Impact – LEAs may shift an amount of funding up to \$43,254,000 to other budget categories as a result of receiving the additional two months of support to pay for the medical insurance premiums of their employees.

Assumptions:

- Currently the BEP formula funds 10 months of LEA employee medical premiums.
- The BEP formula will continue to fund 45 percent of the total LEA medical premium.
- Based on the BEP payment calculation for FY15-16, the increase in state expenditures to move to a 12-month payment schedule will increase state BEP expenditures, which are made to local governments, by approximately \$43,254,000 annually.
- The recurring increase in local government BEP funding is estimated to be \$43,254,000.
- Based on information provided by the Department of Education, relative to the local share of the BEP medical premium that LEAs are currently funding, the increase in the BEP local match (for those LEAs that will have to increase their payments for medical premiums) is estimated to be \$121,556.
- LEAs are currently paying 12 months of health insurance premiums for their employees and will now receive an additional two months of premium support from the state.
- The additional funding provided to local governments may cause a shift of local funding to other budgeted items. Any such shift is estimated to be an amount up to \$43,254,000. The maintenance of effort provision for education funding in current law will prevent LEAs from reducing local expenditures.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is written in a cursive, flowing style with a large initial "J" and a long, sweeping underline.

Jeffrey L. Spalding, Executive Director

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